

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )

Local Exchange Carriers' Rates, Terms, )  
Conditions for Expanded )  
Interconnection Through Virtual )  
Collocation for Special Access and )  
Switched Transport )

CC Docket No. 94-97  
Phase II

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COMMENTS ON DIRECT CASES

Teleport Communications Group Inc. ("TCG"), pursuant to the Commission's "Order Designating Issues for Investigation," DA 95-2001, released September 19, 1995 ("Order") in the above-captioned proceeding, hereby comments on the Direct Cases filed by the local exchange carriers ("LECs").

In the instant proceeding, the Commission is investigating the LECs' direct costs of providing virtual collocation service and the LECs' rate structures, terms and conditions for such service. The Commission had previously concluded in its Phase I Report and Order that most LECs had failed to justify their overhead loading levels and that, consequently, their virtual collocation rates were unlawful. The Commission decided to prescribe maximum permissible overhead loading levels because it recognized that direct Commission

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intervention was necessary to address the anticompetitive conduct of the LECs.<sup>1</sup>

The Commission properly recognized the tactics that the LECs were pursuing. As the Commission observed, "[a] monopoly provider of an essential service can subject its rival to a 'price squeeze.' Since the interconnector is both customer and competitor of the LEC, an interconnector's price for the service depends on the price at which the LEC sells bottleneck facilities that are the critical productive inputs for the interconnector. . . . Raising rivals' costs can be a profitable and inexpensive strategy for vertically integrated firms that control essential facilities needed by its rivals."<sup>2</sup>

The Direct Cases of the LECs make it clear that the LECs are pursuing the same unlawful tactics that the Commission condemned in the Phase I Report and Order. In fact, the LECs' efforts herein to justify their attempt to raise their rivals costs merely regurgitate the same meritless information that the LECs previously submitted in this proceeding. Accordingly, the Commission must therefore conclude, based on the record that the LECs' virtual collocation rates are unjust and unreasonable.

In the case of Southwestern Bell ("SWB"), it has consistently filed key cost support material on a confidential basis, and its Direct Case herein continues to withhold important

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1. Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection Through Virtual Collocation for Special Access and Switched Transport, CC Docket No. 94-97, Phase I, Report and Order, 10 FCC 2d 6375 (1995) ("Phase I Report and Order").

2. Id. at 6403.

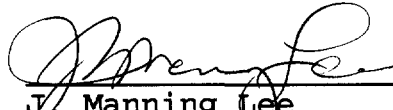
information from public review. TCG intends to provide the Commission on a confidential basis, and supported by affidavit, data on the actual costs of virtual collocation equipment, which will demonstrate that SWB is grossly and fallaciously exaggerating its costs of providing the equipment that interconnectors require. Thus, TCG will demonstrate conclusively that SWB's virtual collocation rates are unjust and unreasonable.

For the reasons stated above, the Commission should find that the LECs' virtual collocation rates are unjust and unreasonable.

Respectfully submitted,

TELEPORT COMMUNICATIONS GROUP INC.

By



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November 3, 1995

**CERTIFICATE OF SERVICE**

I, Janet Johnson, do hereby certify that a copy of the foregoing Comments was sent by first class United States mail, postage prepaid, this 3rd day of November, 1995, to the following:

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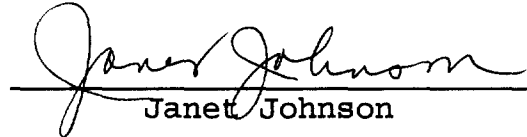
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